



STATE OF HAWAI'I  
*Office of the Auditor*

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## 2014 ANNUAL REPORT

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# Audit of the Hawai'i State Foundation on Culture and the Arts

Report No. 14-11, November 2014

*This audit of the State Foundation on Culture and the Arts was conducted pursuant to Act 138, Session Laws of Hawai'i Session Laws of Hawai'i 2014, which required the Auditor to conduct a financial and management audit of the foundation that included gathering data on the Works of Art Special Fund, art acquisition and inventory methods, acquisition and expenditure costs, and best management practices.*

Two of the State Foundation on Culture and the Arts' (SFCA) primary resources for fulfilling its mission are the Works of Art Special Fund and a collection of nearly 6,300 pieces of artwork. We found that the foundation cannot assure that it receives all moneys due to it by law or whether it maximizes public access to its growing collection of art. Our findings in the areas of planning, oversight, and public art accessibility are troublesome, since we found similar problems in both our 1976 and 1999 audits of the foundation.

Although the foundation has since adopted a strategic plan and a rotation policy for increasing the accessibility of its collection of art, its commission still devotes a majority of time on acquiring and displaying art. The lack of regular budget and strategic planning discussions caused the commission to adopt a strategic plan that does not set expectations for foundation performance. Instead, the foundation's success is gauged on whether activities are conducted, rather than goals accomplished. As a result, the foundation cannot demonstrate its effective and efficient use of state resources to promote arts and culture, nor can it adequately develop and implement improvements in strategy to effectively channel foundation activities and programs. In addition, the

foundation's strategic plan is based on a \$75,000 consultant report that contained an unrealistic proposal for filling fund-raising and marketing needs and that

did not address how to utilize \$3 million in surplus public arts funds. The commission also failed to comply with sunshine law, disregarding the public's right to know, and has not proposed legislative actions to preserve and further arts and culture, as required by law.

We also found that the state comptroller's outdated and unclear guidance for complying with Works of Art Special Fund

requirements has led to both underpayments and overpayments for the arts. The foundation was unable to identify and remedy such inaccurate payments because it took a passive approach to monitoring compliance with the Works of Art Special Fund assessment on Capital Improvement Projects appropriations. The foundation also lacked information necessary to identify optimal sites for displaying and maximizing public accessibility to the State's art collection. Lastly, the foundation had not implemented safeguards to protect artists' rights, which increases the potential for copyright infringement, betrays the trust of artists, and increases foundation liability.



Photo of SFCA relocatable works of art storage facility

Source: Office of the Auditor